

MARULENG MUNICIPALITY



FINANCIAL STATEMENTS

For the year ended 30 June 2016

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

GENERAL INFORMATION

MEMBERS OF MUNICIPAL COUNCIL

PA Mafologele

MC Magoro

ML Mongadi

Mayor

Speaker

Chief Whip

Members of the Executive Committee

MJ Nyathi

PH Ratshoshi

TA Mathaba

Other Members of Municipal Council

EC Du Preez

MP Mashumu

B Rakganya

MS Malapane

MC Mahlako

MR Malepe

SA Nyathi

LV Shaai

MD Popela

JT Morema

MM Rakgoale

ME Mathaba

RB Sekgobela

PE Shai

MR Mametja

IH Malatjie

MJ Maahlo

MJ Rakgoale

TD Mogale

Acting Municipal Manager

KV Sithole

Chief Financial Officer

E Makamu

Grading of Municipality

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**MARULENG MUNICIPALITY
FINANCIAL STATEMENTS**

Auditors	Auditor-General of SA (AGSA)
Bankers	Standard Bank of SA LTD
Registered Office	Maruleng Municipal Offices
Physical Address	65 Springbok Street HOEDSPRUIT 1380
Postal Address	PO Box 627 HOEDSPRUIT 1380
Telephone Number	015-7932409
Fax Number	015-7932341
E-mail Address	<u>Info@Maruleng.gov.za</u>

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

The reports and statements set out below comprise the annual financial statements presented to the Audit Committee of Maruleng Municipality:

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ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the year ended 30 June 2016 and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges ultimate responsibility for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the accounting officer is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for preparation of the financial statements. However, any system of internal financial control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2016 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on inter-governmental grants and transfers as well as service charges for continued funding of its operations. The financial statements are prepared on the basis that the municipality is a going concern and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The Accounting Officer further certifies that the remuneration of councillors as disclosed in the relevant note to the financial statements is in accordance with the Public Office Bearers Act (Act 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination of upper limits of the salaries, allowances and benefits as promulgated annually.

**MARULENG MUNICIPALITY
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The financial statements set out on pages 6 to 50, which have been prepared on the going concern basis, were approved and signed on behalf of the Municipality by:

**KV SITHOLE
ACTING ACCOUNTING OFFICER**

DATE

**MARULENG MUNICIPALITY
FINANCIAL STATEMENTS**

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 R	2015 R Restated
ASSETS			
Current assets			
Inventories	2	49 153	66 533
Receivables from exchange transactions	3.1	616 373	1 268 322
Receivables from non-exchange transactions	3.2	3 636 843	2 541 213
Other receivables	5	1 776 014	527 925
VAT receivable	6	17 592 555	8 216 268
Cash and cash equivalents	7	89 542 838	57 272 914
		113 213 777	69 893 175
Non-current assets			
Property, plant & equipment	8	307 050 881	289 599 499
Intangible assets	9	924 760	773 486
Heritage assets	10	216 000	216 000
Investment property carried at fair value	11	4 425 836	3 930 854
		312 617 476	294 519 839
TOTAL ASSETS		425 831 253	364 413 014
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	12	10 766 482	8 052 363
Trade and other payables from non exchange transactions	13	2 422 295	1 836 478
Unspent conditional grants and receipts	14	24 724 375	5 036 039
Short-term obligations to employees	15	4 294 777	3 761 877
Current portion of finance lease liability	17	160 057	0
		42 367 986	18 686 758
Non-current liabilities			
Long-term obligations to employees	16	7 065 558	5 993 932
Finance Lease Liability	17	225 466.70	111 537
		7 291 024	6 105 468
TOTAL LIABILITIES		49 659 010	24 792 226
NET ASSETS		376 172 243	339 620 789
		376 172 243	339 620 789

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STATEMENT OF FINANCIAL PERFORMANCE
For the period ended 30 June 2016

	Notes	2016 R	2015 R Restated
ASSETS			
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		7 291 024	6 105 468
TOTAL LIABILITIES		49 659 010	24 792 226
NET ASSETS		376 172 243	339 620 789
ACCUMULATED SURPLUS		376 172 243	339 620 789

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STATEMENT OF CASHFLOWS

For the period ended 30 June 2016

	Note	2016 R	2015 R Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS		183 570 419	137 024 242
Service charges		2 917 069	483 031
Property rates		23 826 686	22 382 867
Traffic fines		197 794	0
Grants and subsidies		149 875 000	107 362 976
Other receipts		6 753 871	6 795 368
PAYMENTS		-103 156 530	-85 334 374
Employee costs		-43 648 369	-38 578 703
Remuneration for councillors		-9 511 268	-7 805 186
Suppliers		-39 268 662	-30 736 780
Other payments		-10 728 232	-8 213 705
Cash generated from operations	29	80 413 889	51 689 867
Investment revenue/ interests received		4 400 886	2 882 082
Interest Paid		-45 995	-15 726
Net Cash From Operating Activities		84 768 780	54 556 223
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other assets		-52 291 303	-40 146 134
Loss on disposal of assets		0	0
Net cash used in investing activities		-52 291 303	-40 146 134
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in finance lease liability		-207 552	-242 135
Net cash used in financing activities		-207 552	-242 135
Increase in cash and cash equivalents		32 269 924	14 167 954
Cash and cash equivalents at beginning of the period		57 272 913	43 104 959
Cash and cash equivalents at end of the period		89 542 837	57 272 913

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BUDGET STATEMENT - FINANCIAL POSITION

As at 30 June 2016

	Original Budget	Adjusted Budget	Actual	Variance	Var%	Notes
ASSETS						
Current assets						
Cash	3 560 000	3 560 000	14 675 819	11 115 819	312%	1
Call investment deposits	42 000 000	42 000 000	74 867 019	32 867 019	78%	2
Consumer debtors	10 600 000	10 600 000	4 253 217	-6 346 783	-60%	3
Other debtors	29 000 000	29 000 000	19 368 569	-9 631 431	-33%	4
Inventory	57 000	57 000	49 153	-7 847	-14%	5
Total current assets	85 217 000	85 217 000	113 213 777	27 996 777		
Non current assets						
Investment property	3 250 000	3 250 000	4 425 836	1 175 836	36%	6
Property, plant and equipment	382 412 288	383 912 288	307 266 881	-76 645 408	-20%	7
Intangible	377 000	377 000	924 760	547 760	145%	8
Total non current assets	386 039 288	387 539 288	312 617 476	-74 921 812		
TOTAL ASSETS	471 256 288	472 756 288	425 831 253	-46 925 036		
LIABILITIES						
Current liabilities						
Trade and other payables	10 752 817	10 752 817	38 073 209	27 320 392	254%	9
Provisions	660 000	660 000	4 294 777	3 634 777	551%	10
Total current liabilities	11 412 817	11 412 817	42 367 986	30 955 169		
Non current liabilities						
Borrowing	121 000	121 000	225 467	104 467	86%	11
Provisions	4 484 000	4 484 000	7 065 558	2 581 558	58%	12
Total non current liabilities	4 605 000	4 605 000	7 291 024	2 686 024		
TOTAL LIABILITIES	16 017 817	16 017 817	49 659 010	33 641 193		
NET ASSETS	455 238 472	456 738 472	376 172 243	-80 566 229		
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)	455 238 472	456 738 472	376 172 243	-80 566 229		
TOTAL COMMUNITY WEALTH/EQUI	455 238 472	456 738 472	376 172 243	-80 566 229		

Explanatory notes for variances more than 10%

- The variance is a result of accruals of various projects of which payments were made in the 2016/17 financial year.
- The municipality received additional funding of R20 million in March 2016.
- Due to the implementation of revenue enhancement strategy, the outcome was a reduction in debtors.
- Adequate controls were in place enabling the department to ensure monitoring and closing of inventory was done timeously.
- The municipality expected the market value to go further down based on the decrease from 2013/14 financial year to 2014/15 financial year.
- The municipality delayed to appoint the service provider and some of them were not appointed.
- The increase in additional funding resulted in an increase in liability (unspent portion of conditional grants).
- Under budget of current provision
- The budget for finance costs did not take into account lease agreements which were going to expire during the course of the financial year.
- Under budget of non-current provision

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BUDGET STATEMENT - FINANCIAL PERFORMANCE

For the period ended 30 June 2016

	Original Budget	Adjusted Budget	Actual	Variance	Var%	Notes
Revenue By Source						
Property rates	18 922 165	29 366 650	31 822 101	2 455 451	8%	
Service charges - refuse revenue	2 175 612	2 300 000	2 586 338	286 338	12%	1
Rental of facilities and equipment	291 086	294 298	301 877	7 579	3%	
Interest earned - external investments	2 942 474	3 942 474	4 400 886	458 412	12%	2
Interest earned - outstanding debtors	652 532	652 532	674 457	21 925	3%	
Fines	307 877	307 877	981 800	673 923	219%	3
Licences and permits	2 854 434	2 854 434	2 521 726	-332 708	-12%	4
Agency services	1 547 003	2 800 469	2 115 997	-684 472	-24%	5
Transfers recognised - operating	95 171 000	104 600 421	100 118 417	-4 482 004	-4%	
Other revenue	5 025 844	1 284 651	1 424 310	139 659	11%	
Gains on disposal of PPE	2 075 000	0	0	0		
Total Revenue (excluding capital transfers and contributions)	131 965 028	148 403 806	146 947 910	-1 455 897		
Expenditure By Type						
Employee related costs	47 479 446	49 019 404	45 252 895	-3 766 509	-8%	
Remuneration of councillors	10 866 162	9 542 396	9 511 268	-31 128	0%	
Debt impairment	3 700 000	3 700 000	8 306 887	4 606 887	125%	7
Depreciation & asset impairment	33 000 000	29 000 000	31 413 504	2 413 504	8%	
Finance charges	228 486	70 000	45 995	-24 005	-34%	8
Lease rental	0	0	103 856	103 856		
Bulk purchases	0	900 000	0	-900 000	-100%	9
Other materials	2 761 525	2 147 081	2 989 331	842 250	39%	10
Contracted services	7 238 293	7 538 293	7 894 675	356 382	5%	
Other expenditure	32 397 420	39 232 337	31 794 023	-7 438 314	-19%	11
Total Expenditure	137 671 334	141 149 511	137 312 434	-3 837 077		
Surplus/(Deficit)	-5 706 306	7 254 296	9 635 476	2 381 180	33%	
Transfers recognised - capital	35 684 434	31 810 618	30 068 247	-1 742 371	-5%	
Surplus/ (Deficit) for the year	29 978 128	39 064 914	39 703 723	638 809		

Explanatory notes for variances more than 10%

- 1 Additional revenue was as a result of increase in collection points which was not anticipated
- 2 The municipality initially budgeted for interest based on current investment balance and transferred that would be received from national revenue fund in terms of the DoRA. However municipality ended up receiving additional funding excess of R20 Million for MIG projects.
- 3 Other income includes traffic fines which were in the previous financial year budgeted and accounted for on cash basis. The municipality has a change in accounting policy in terms whereof traffic fines were accounted for on accrual basis, resulting in unbudgeted excess as the budget was cash-based.

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

- 4 The adjustment was made based on midyear performance
- 5 The adjustment was made based on midyear performance
- 6 Under budget of debt impairment
- 7 Consumer services were billed according to land use and property rates levied according to gazetted rates, which resulted in a higher growth in the debtor's book as compared to the previous financial years. The rate of defaulting also increased proportionately and this was not taken into account as a factor during budgeting.
- 8 The budget for the 2015/16 financial year was based on total anticipated new capital acquisition in line with the capital projects budget without taking into account work that would still be in progress as at 30 June 2016, to be completed subsequently in the financial year 2016/17 or even later.
- 8 The budget for finance costs did not take into account lease agreements which were going to expire during the course of the financial year.
- 9 The appointment of indigent clerk was made during the year, and the indigent register was only updated late during the year under review
- 10 Repairs and maintenance were done in-house. The municipality is responsible for the purchasing of the materials.
- 11 As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service delivery, such as operational programmes.

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

BUDGET STATEMENT - CASHFLOWS

For the period ended 30 June 2016

	Original Budget	Adjusted Budget	Actual	variance	var%	Notes
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates, penalties & collection charges	30 965 689	29 366 650	23 826 686	-5 539 964	-19%	1
Service charges	3 277 096	2 300 000	2 917 069	617 069	27%	2
Other revenue	5 564 320	1 977 409	6 951 665	4 974 255	252%	3
Government - operating	104 045 000	104 600 421	100 118 417	4 482 004	4%	
Government - capital	25 830 000	30 310 618	49 756 583	19 445 965	64%	4
Interest	2 658 776	4 595 006	4 400 886	194 120	4%	
Payments						
Suppliers and employees	-112 700 468	-108 379 511	-103 156 530	-5 222 981	5%	
Finance charges	-150 000	-70 000	-45 995	-24 005	34%	5
NET CASH FROM/(USED) OPERATING ACTIVITIES	59 490 413	64 700 593	84 768 780	18 926 463		
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Payments						
Capital assets	-56 476 694	-82 325 995	-52 291 303	-30 034 692	36%	6
NET CASH FROM/(USED) INVESTING ACTIVITIES	-56 476 694	-82 325 995	-52 291 303	-30 034 692		
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Payments						
Repayment of borrowing	0	0	-207 552	207 552		7
NET CASH FROM/(USED) FINANCING ACTIVITIES	0	0	-207 552	207 552		
NET INCREASE/ (DECREASE) IN CASH HELD	3 013 719	-17 625 402	32 269 924	-11 108 229		
Cash/cash equivalents at the year begin:	35 677 000	35 677 000	57 272 913	21 595 913		
Cash/cash equivalents at the year end:	38 690 719	18 051 598	89 542 837	10 487 684		

Explanatory notes for variances more than 10%

- 1 Revenue enhancement strategy was not fully implemented. The appointment of a debt collector and debtors' clerk were made in April 2016.
- 2 Additional revenue was as a result of increase in collection points which was not anticipated.
- 3 Budgeting inaccuracies.
- 4 Municipality received additional funding for MIG projects of R20 million In March 2016.
- 5 The budget for finance costs did not take into account lease agreements which were going to expire during the course of the financial year.
- 6 Delay in the appointment of the service providers.
- 7 The budget for finance costs did not take into account lease agreements which were going to expire during the course of the financial year.

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BUDGET STATEMENT - CAPITAL EXPENDITURE

For the period ended 30 June 2016

Description	Original Budget	Adjusted Budget	Actual	Variance	Var%	Notes
Infrastructure						
<i>Roads, Pavements & Bridges</i>	30 097 101	39 554 308	24 119 814	-15 434 493.71	-39%	1
Infrastructure - Electricity						
<i>Transmission & Reticulation</i>	7 000 000	7 000 000	3 124 213	-3 875 786.58	-55%	2
<i>Street Lighting</i>	185 000	185 000	0	-185 000.00	-100%	3
Community						
Sports Fields & stadia	11 500 000	15 027 712	14 322 373	-705 339.27	-5%	
Community halls	3 789 593	10 918 975	8 027 103	-2 891 871.84	-26%	4
Cemeteries	1 500 000	1 500 000	0	-1 500 000.00	-100%	5
Other	400 000	600 000	0	-600 000.00	-100%	6
Other assets						
General vehicles	3 050 000	3 050 000	925 366	-2 124 634.22	-70%	7
Plant & equipment	1 670 000	1 650 000	597 116	-1 052 884.32	-64%	8
Computers - hardware/equipment	410 000	880 000	866 201	-13 799.33	-2%	
Furniture and other office equipme	380 000	180 000	286 649	106 649.47	59%	9
Other Buildings	1 400 000	360 000	22 468	-337 532.37	-94%	10
Other Land		3 000 000	0	-3 000 000.00	-100%	11
Other	3 480 000	120 000	0	-120 000.00	-100%	12
Total Capital Expenditure	64 861 694	84 025 995	52 291 303	-31 734 692		

Explanatory notes for variances more than 10%

- 1 Delay in the appointment of service provider.
- 2 The appointment was made in February and some areas needed clearance while the other residents were about to finished building their houses.
- 3 No appointment were made during the year under review.
- 4 Delay in appointment of service provider.
- 5 No appointment were made during the year under review.
- 6 No appointment were made during the year under review.
- 7 Budget were not enough to cover the expense (purchasing of refuse truck).
- 8 Delay in appointment of service provider (skip bin, appointment date: May 2016).
- 9 The K2C projects were transferred to furniture at year end.
- 10 Delay in appointment of service provider (Air con and access control).
- 11 The Amount will be transferred to reserve until is adequate to purchase the land.
- 12 No appointment were made during the year under review (two way radio).

**MARULENG MUNICIPALITY
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STATEMENT OF CHANGES IN NET ASSETS

For the period ended 30 June 2016

	Accumulated Surplus R	Total R
Balance at 30 June 2014	328 571 649	328 571 649
Restated surplus for the year	11 949 625	11 949 625
Correction of prior year errors	(900 486)	(900 486)
Restated balance as at 30 June 2015	339 620 789	339 620 789
Surplus for the year	36 551 454	36 551 454
Balance as at 30 June 2016	376 172 243	376 172 243

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1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

For the period ended 30 June 2016

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated.

These annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GRAP.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

4 COMPARATIVE INFORMATION

1.4.1 CURRENT YEAR COMPARATIVE BUDGET

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

1.4.2 PRIOR YEAR COMPARATIVES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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The presentation and classification of items in the current year is consistent with prior periods.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 **STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

1.5.1 **The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:**

No	Title of Standard	Impact on GRAP Reporting Framework
GRAP 20	Related Party Disclosures	No material impact
GRAP 32	Service Concession Arrangements: Grantor	No material impact
GRAP 108	Statutory Receivables	No impact as no merger is anticipated in the foreseeable future

An effective date is yet to be determined for the other standards by the Minister.

1.5.2 **New GRAP standards effective for financial years beginning on or after 1 April 2015.**

No.	Title of Standard	Impact on GRAP Reporting Framework
GRAP 18	Segment Reporting	No material impact
GRAP 105	Transfer of Functions Between Entities Under Common Control	No impact as the municipality is not an municipality under common control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	No impact as no transfer of functions are anticipated in the foreseeable future
GRAP 107	Mergers	No impact as no merger is anticipated in the foreseeable future

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1.5.3 New GRAP standards effective for financial years beginning on or after 31 April 2013.

No.	Title of Standard
GRAP 25	Employee Benefits
GRAP 27	Agriculture
GRAP 31	Intangible Assets
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue (supersedes IGRAP 1 issued 2009)
IGRAP 16	Website Costs

1.6 PROPERTY, PLANT & EQUIPMENT

1.6.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.6.2 Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.6.3 Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline:

Asset Description	Useful Lifespan
Infrastructure Assets	
Roads, pavements, bridges and storm water	20 - 100
Street names, signs and parking meters	5 - 45
Community Assets	
Community halls	25
Libraries	25
Recreation facilities	25 - 100
Cemetery fencing	10
Other Assets	
Motor vehicles	7 - 10
Plant and equipment	5 - 10
IT equipment	5 - 7
Office equipment	5 - 7

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Operational plant and equipment	6 - 10
Finance lease assets	
Office equipment	3 - 5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

1.6.4 **Impairment**

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a revalued asset is treated as a revaluation decrease).

1.6.5 **De-recognition**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 **INTANGIBLE ASSETS**

1.7.1 **Initial recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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1.7.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

1.7.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Years
Licences	3
Computer software	3

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

1.7.4 De-recognition

Intangible assets are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 HERITAGE ASSETS

1.8.1 Initial recognition and measurement

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if:

(a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and

(b) the cost or fair value of the asset can be measured reliably.

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A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

1.8.2 Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.8.3 Impairment

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

1.8.4 De-recognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

1.9 INVESTMENT PROPERTY

1.9.1 Initial recognition

Investment property is property (land and building- or part of building- or both) held to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for administrative purposes, or, 2.
- Sale in the ordinary course of operations
- Owner- occupied property held for use in the production or supply of goods or services or for administrative purposes.

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Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.9.2 Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

1.10 INVENTORIES

1.10.1 Initial recognition

Inventories are initially measured at cost. Where inventories are acquired through non exchange transaction their cost shall be measured at their fair value as the date of acquisition.

1.10.2 Subsequent recognition

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

1.10.3 **Cost formula**

The cost of inventories is assigned by using the weighted average cost formula.

1.11 **FINANCIAL INSTRUMENTS**

1.11.1 **Initial recognition**

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.11.2 **Subsequent measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The municipality classifies its financial assets into the following categories:

- loans and receivables; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current

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asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.11.3 **Trade and other receivables**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

1.11.4 An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.11.5 **Trade payables and borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.11.6 **Cash and cash equivalents**

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

1.11.7 Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.11.8 **Impairment**

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An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

1.11.9 Impairment of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.11.10 Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

1.12 PROVISIONS AND CONTINGENT LIABILITIES

The municipality does not recognise a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

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- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.13 LEASES

1.13.1 The municipality as the Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.13.2 The municipality as the Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis.

The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

1.14. REVENUE RECOGNITION

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Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.14.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

1.14.1.1 Service charges.

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

1.14.1.2 Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.14.1.3 Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

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1.14.1.4 Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

1.14.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.14.2.1 Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

1.14.2.2 Fines

Fines are economic benefits or service potential received or receivable by an entity from individual or other entity, as determined by court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations, Law enforcement official are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

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Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

1.14.2.3 **Other revenue**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.15 **EMPLOYEE BENEFITS**

1.15.1 **Short-term employee benefits**

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.15.2 **Post-employment benefits**

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

The cost of all short term employee benefits, such as leave pay, is recognised during the period in which the employee renders the related services. The Municipality recognises the expected cost of performance bonus only when the Municipality has a present legal or constructive obligation to make such payments, and a reliable estimate can be made.

1.15.3 **Termination benefits**

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.15.4 **Long term employee benefits**

The Municipality provides long term incentives to eligible employees, payable on completion of years of employment. The liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long term incentives are accounted for through the Statement of Financial Performance.

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1.16 OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.17 GOVERNMENT GRANTS AND TRANSFERS

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions..

1.18 ACCUMULATED SURPLUS

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;
- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and
- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

1.19 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transactions are transactions that involve the transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

1.19.1 Key management personnel

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The total cost of all employee benefits, such as short term employee benefits, post-employment benefits, other long term benefits and termination benefits are recognised during the period in which the employee renders the related services.

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Employee benefits resulting from related party transaction are expensed in the Statement of Financial Performance in the financial year during which the payment is made or accrued.

1.20 CHANGES IN ACCOUNTING POICIES AND ESTIMATES AND PRIOR YEAR ERRORS

1.20.1 Accounting policies

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

1.20.2 Change in estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

1.20.3 Prior period errors

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1.21 SIGNIFICANT JUDGMENTS AND ESTIMATES

1.21.1 Use of estimates

The use of accounting estimates is an essential part in the preparation of financial statements. They arise as a result of uncertainties inherent in delivering goods, services and conducting trading activities.

The use of estimates does not undermine the reliability of the information presented as the estimate should be made using the latest available and most reliable information.

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As and when the information on which the estimate is based changes, it also becomes necessary to revise the previous estimate. By nature, the revision of an estimate does not have an effect on prior periods and is therefore not a correction of a prior period error. A revision of an accounting estimate won't be seen to be a correction of an error provided the estimate was based on the latest and most reliable information available at the time that the estimate was made. An example of a change in accounting estimate will be the reassessment of the prior period impairment loss based on new information available in the current financial period.

1.21.2 Other provisions

1.21.2.1 Pension and other employment benefits

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post-employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For key actuarial assumptions, refer to **Notes 15-16**.

1.22 COMMITMENTS

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

1.23 PRESENTATION OF BUDGET POLICY

The following is presented as a note to the Financial Statement:

Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

1.24 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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1.25 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the cash basis.

1.28 EVENTS AFTER BALANCE SHEET

Events that occur after the reporting date are those favourable or unfavourable events that occur between the end of the reporting period and the date of authorisation of the financial statements for issue.

1.28.1 Adjusting events

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

1.28.2 Non-adjusting events

Events which are indicative of the conditions that arose after the reporting period.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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NOTES TO FINANCIAL STATEMENTS

	2016	2015
	R	R
2. INVENTORIES		
Inventory - at cost	<u>49 153</u>	<u>66 533</u>
Movement for inventories		
Stationery	-18 468	-3 722
Consumables	<u>1 088</u>	<u>-14 073</u>
	-17 381	-17 795

Held for own use with the aim that it should be carried at the lower of cost or current replacement cost.
Inventory has not been pledged as security for liabilities.

3. RECEIVABLES

3.1 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	1 868 909	2 071 448
Other debtors	<u>3 032 274</u>	<u>2 858 588</u>
Gross balance	4 901 183	4 930 036
Less: Provision for Doubtful Debts	<u>-4 284 809</u>	<u>-3 661 714</u>
Net balance	616 373	1 268 322

Aged debtors

Refuse and other

Current (0 - 30 days)	675 575	1 119 152
31 - 60 days	300 543	305 876
61 - 90 days	296 028	226 029
91 - 120 days	269 847	243 879
120 days +	<u>3 359 190</u>	<u>3 035 101</u>
TOTAL	4 901 183	4 930 036

Receivables from exchange transactions at 31/5/2016: R4,901,183 (30/06/2015: R4,930,036)

3.2 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Debtors for rates and traffic fines	33 080 403	24 300 981
Less: Provision for Doubtful Debts	<u>-29 571 512</u>	<u>-21 887 721</u>
Net balance (Rates & traffic fines)	3 508 890	2 413 260

3.2.1 Rates	31 216 117	23 220 702
Less: Provision for Doubtful Debts	<u>-27 790 517</u>	<u>-21 675 864</u>
Net balance	3 425 600	1 544 838

3.2.2 Debtors for traffic fines	1 864 285	1 080 279
Less: Provision for Doubtful Debts	<u>-1 780 995</u>	<u>-211 857</u>
Net balance	83 290	868 422

Net balance (Rates & traffic fines)	3 508 890	2 413 260
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**MARULENG MUNICIPALITY
FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016	2015
	R	R
3.3 Debtors ageing		
Rates		
Current (0 - 30 days)	2 872 836	3 587 267
31 - 60 days	1 809 772	1 222 873
61 - 90 days	2 022 249	1 113 822
91 - 120 days	1 188 365	972 305
120 days +	23 046 782	15 784 801
Sub-total (rates)	30 940 004	22 681 068
Debtors not aged		
Property rates	276 113	0
Traffic fines	1 864 285	1 080 279
TOTAL	33 080 403	23 761 347

Receivables from non-exchange transactions at 30/6/2016: R33,080,403 (30/06/2015: R23,761,347). This includes an amount of R276,113, which has been effected as a prior year adjustment at year-end, and therefore not aged.

4 SUMMARY OF DEBTORS

4.1 Summary of Debtors by customers classification

Rates, traffic, refuse & other

	Consumers	Industrial Commercial	Government	Total
	R	R	R	R
Current (0 - 30 days)	1 403 704	1 615 717	574 820	3 594 242
31 - 60 days	675 744	1 111 820	286 201	2 073 765
61 - 90 days	623 317	1 343 276	362 260	2 328 853
91 - 120 days	526 039	615 006	329 034	1 470 079
120 days +	11 471 976	11 736 956	3 165 317	26 374 249
Sub Total (aged debtors)	14 700 779	16 422 775	4 717 632	35 841 187
Property rates (not aged)				276 113
Traffic fines (not aged)				1 864 285
TOTAL	14 700 779	16 422 775	4 717 632	37 981 586
Less: Doubtful debts provision				-33 856 322
Net balance				4 125 264

4.5 Reconciliation of doubtful debt provision

Balance at beginning of the year	-46 859 291	-15 837 832
Adjustments to provision	-8 306 887	-31 021 459
Balance at end of the year	-55 166 178	-46 859 291

**MARULENG MUNICIPALITY
FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016	2015
	R	R
4.5.1 Rates, traffic fines, refuse & other		
Balance at beginning of the year	-25 549 435	-15 837 832
Adjustments to provision	-8 306 887	-9 711 603
Reuse & other	-623 095	-2 182 344
Rates	-6 114 653	-7 373 429
Traffic fines	-1 569 138	-155 830
Balance at end of period	-33 856 322	-25 549 435
Consisting of-		
Reuse & other	-4 284 809	-3 661 714
Rates	-27 790 517	-21 675 864
Traffic fines	-1 780 995	-211 857
	-33 856 322	-25 549 435
4.5.2 Inter-municipal debtors		
Balance at beginning of the year	-21 309 856	0
Adjustments to provision	-0	-21 309 856
Balance at end of period	-21 309 856	-21 309 856
Consisting of-		
Inter-municipal debtors	-21 309 856	-21 309 856
5. Other receivables	481 459	520 982
Inter - Municipal receivables	1 294 510	-0
Gross debtors	22 604 366	21 309 856
Provision for doubtful debts	-21 309 856	-21 309 856
Deposits received	45	6 943
Transfers	0	0
Total Other Receivables	1 776 014	527 925
6. VAT RECEIVABLE		
VAT receivable	17 592 555	8 216 268
VAT is accounted for on cash basis		
7. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on floats	710	710
Cash at bank	14 675 109	5 806 070
Call deposits	74 867 019	51 466 133
	89 542 838	57 272 914

**MARULENG MUNICIPALITY
FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016	2015
	R	R
7.1		
The municipality has the following bank accounts:		
Current account (primary bank account)		
Bank: Standard Bank - Hoedspruit Branch		
Account number: 033355487		
Bank statement balance at beginning of year	5 711 912	445 508
Bank statement balance at end of period	14 256 490	5 711 912
Cash book balance at beginning of year	5 806 070	518 485
Cash book balance at end of period	14 675 109	5 806 070
7.2		
Standard Bank Account		
Call deposit Account		
Account number: 038579111-02		
Bank statement balance at beginning of the period	25 180 754	17 637 305
Bank statement balance at end of the period	46 978 308	25 180 754
Cash book balance at beginning of the period	25 180 754	17 637 305
Cash book balance at end of period	46 978 308	25 180 754
7.3		
Investec Bank Account		
32 days notice Account		
Account number: 50005132360		
Bank statement balance at beginning of the period	26 285 380	24 946 746
Bank statement balance at end of the period	27 888 711	26 285 380
Cash book balance at beginning of the period	26 285 380	24 946 746
Cash book balance at end of period	27 888 711	26 285 380
Call deposits		
Cash book balances		
Standard Bank Account	46 978 308	25 180 754
Investec Bank Account	27 888 711	26 285 380
	74 867 019	51 466 133

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

8. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Infrastructure	WIP	Library books	Other Assets	Finance Lease assets	Total
	R	R	R	R	R	R	R
30 June 2016	237 164 484						
Carrying value at beginning of the year	170 292 438	73 228 532	36 369 180	120 057	9 484 631	104 661	289 599 499
Cost	225 131 021	187 289 394	36 369 180	247 042	14 020 756	1 279 084	464 336 477
Accumulated depreciation	-54 838 583	-114 060 862	0	-126 985	-4 536 125	-1 174 423	-174 736 978
Acquisitions	0	0	0	0	2 514 699	662 684	3 177 383
Capital under construction	0		40 839 856	0	0	0	40 839 856
Transfer of completed Projects	12 033 462	33 089 364	-45 122 827	0		0	0
Depreciation & Impairment	-9 628 625	-19 167 404	0	-2 187	-2 429 201	-220 891	-31 448 308
Assets disposed	0	0	0	0	-109 433	0	-109 433
Cost	0	0	0	340	413 631	1 097 939	1 511 911
Accumulated depreciation	0	0	0	-340	-304 199	-1 097 939	-1 402 478
Carrying value at end of the year	169 116 725	87 150 493	40 839 856	117 870	9 460 627	365 309	307 050 881
Cost	233 517 233	220 378 759	40 839 856	246 702	16 121 824	662 684	511 767 059
Accumulated depreciation	-64 400 509	-133 228 266	0	-128 832	-6 661 197	-297 375	-204 716 178
30 June 2015							
Carrying value at beginning of the year	179 152 223	80 801 390	11 580 946	145 357	7 123 075	184 239	278 987 230
Cost	225 556 023	177 302 561	11 580 946	250 102	10 502 199	1 097 939	426 289 771
Accumulated depreciation	-46 403 801	-133 228 266	0	-128 832	-3 379 124	-913 700	-147 302 541
Acquisitions	790 575	0	0	0	4 040 427	0	4 831 002
Capital under construction	0	0	34 800 291	0	0	0	34 800 291
Transfer of completed Projects	0	10 012 058	-10 012 058	0	0	0	0
Depreciation & Impairment	-9 561 925	-17 561 330	0	-23 813	-1 420 789	-184 239	-28 752 096
Assets disposed	-668 435	-23 585	0	-1 488	-258 082	0	-951 589
Cost	-1 795 577	-25 225	0	-3 060	-521 870	0	-2 345 732
Accumulated depreciation	1 127 142	1 640	0	1 573	263 788	0	1 394 143
Carrying value at end of the year	169 712 438	73 228 532	36 369 180	120 057	9 484 631	0	288 914 838
Cost	224 551 021	187 289 394	36 369 180	247 042	14 020 756	1 097 939	463 575 333
Accumulated depreciation	-54 838 583	-114 060 862	0	-126 985	-4 536 125	-1 097 939	-174 660 495

MARULENG MUNICIPALITY

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

		2016 R	2015 R
9	INTANGIBLE ASSETS		
	Computer software		
	Reconciliation of Carrying Value		
	Carrying values at beginning of the period	773 486	377 620
	Cost	900 989	411 040
	Accumulated amortisation	-127 503	-33 420
	Amortisation	-31 826	-94 083
	Additions	183 100	489 949
	Carrying value at end of the period	924 760	773 486
	Cost	1 084 089	900 989
	Accumulated amortisation	-159 329	-127 503
10	HERITAGE ASSETS		
	Carrying values at beginning of the period	216 000	216 000
	Fair value adjustment	216 000	216 000
	Consists of Mayoral chain.		
	No inflow of future economic benefits or service potential associated with the above listed Heritage Assets		
11	INVESTMENT PROPERTY CARRIED AT FAIR VALUE		
	Carrying values at beginning of the period	3 930 874	3 679 938
	Fair value	3 930 874	3 679 938
	Accumulated depreciation	0	0
	Fair value adjustment	494 982	250 936
	Carrying value at end of the period	4 425 836	3 930 874
	Fair value	4 425 836	3 679 938
	Accumulated depreciation	0	250 936
12	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade creditors	141 916	1 223 598
	Accruals	3 893 505	2 194 420
	Retentions	6 391 030	4 446 862
	Unknown deposits	340 030	187 483
	Total Trade and Other Payables	10 766 482	8 052 363
13	TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS		
	Amounts received in advance	1 634 385	1 403 496
	Trade & Other payables	787 910	432 983
		2 422 295	1 836 478

MARULENG MUNICIPALITY

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>Conditional Grants from other spheres of Government</i>		
Finance Management Grant	0	0
Municipal Systems Improvement Grant	0	0
Municipal Infrastructure Grant	20 242 371	4 480 618
EPWP	0	0
INEG	3 438 397	0
Disaster fund	1 043 607	555 421
Total Conditional Grants and Receipts	24 724 375	5 036 039

This highlights the nature and extent of the government grants recognised in the financial statements, indication of the other

15 SHORT-TERM OBLIGATIONS TO EMPLOYEES		
The total amounts recognised in the statement of financial position as follows:		
Leave provision	2 744 917	2 283 516
Bonus provision	954 697	1 077 027
Provision for performance bonuses	595 162	401 334
	4 294 777	3 761 877

Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after the reporting date.

16 LONG TERM OBLIGATIONS TO EMPLOYEES		
Amounts recognised in the statement of financial position are as follows:		
Long service awards	2 442 777	2 230 381
Post-employment medical aid	4 622 781	3 763 551
	7 065 558	5 993 932

16.1 Long service awards

Long service awards relate to the legal obligation to provide for long service leave awards.

Actuarial benefits have been calculated for 136 employee as at 30 June 2016 that are entitled to long service awards. The long Maruleng offers bonuses for every five years of completed services from 10 years to 45 years

The amount recognised in the statement of financial position is as follows:	R	R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	2 442 777	2 230 381

Change in the present value of the defined benefit obligation are as follows:

Opening accrued liability	2 230 381	1 460 000
Current service cost	332 455	214 000
Interest cost	184 372	124 000
Actuarial gains and losses	-220 373	461 381
Net expense recognised in the statement of financial position	296 454	799 381
Expected contributions (benefits paid)	-84 058	-29 000
Closing accrued liability	2 442 777	2 230 381

Calculation of actuarial gains and losses

Actuarial losses/ (gains) - obligation	0	461 381
Actuarial (gains)/ losses - obligation	0	0
	0	461 381

MARULENG MUNICIPALITY

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
Key assumption used		
Assumption used at the reporting date		
Discount rates used	8.76%	8.42%
General salary inflation	7.40%	7.31%
Net discount rate	1.27%	1.04%
Normal retirement age	63	63
16.2 Post employment Medical Aid		
An actuarial valuation has been performed in respect of post-employment medical benefits which employees may become. The employee post employment health care liability consists of the commitment to pay a portion of the pensioners Medical. A Summary of assumptions was provided to the municipality.		
The medical aid contribution is an actuarial calculation which was performed by Arch Actuarial Valuers, an actuarial consulting company specialising in the valuation of the employee benefit liabilities for accounting disclosure purposes. Currently there are no pensioners being subsidised for medical aid contributions hence no benefits payment.		
The Amount recognised in the statement of financial position is as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	4 622 781	3 763 551
Change in the present value of the defined benefit obligation are as follows:		
Opening accrued liability	3 763 551	3 109 296
Current service cost	500 340	478 000
Interest cost	360 444	308 000
Actuarial gains and losses	-1 554	-131 745
Net expense recognised in the statement of financial position	859 230	654 255
Expected contributions (benefits paid)	0	0
Closing accrued liability	4 622 781	3 763 551
Calculation of actuarial gains and losses		
Actuarial losses/ (gains) - obligation	-1 554	-131 745
Actuarial (gains)/ losses - obligation	0	0
	-1 554	-131 745
Key assumption used		
Assumption used at the reporting date		
Discount rates used	9.93%	9.90%
Consumer price inflation	7.39%	7.37%
Health care cost inflation	8.89%	8.87%
Net Discount rate	0.96%	0.95%
17 FINANCE LEASE LIABILITY		
Amounts payable under finance leases		
Present value of lease payments		
Within one year	160 057	0
Within two to five years	175 506	0
	335 563	0
Less Current portion of finance lease liability	160 057	0
	175 506	0

MARULENG MUNICIPALITY

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
18 REVENUE FROM EXCHANGE TRANSACTIONS		
Revenue from exchange transactions include-		
18.1 Service charges		
Refuse removal	2 586 338	3 179 464
18.2 Finance Income		
Interest receivables - External investments	4 400 886	2 882 082
18.3 Agency fees		
	2 115 997	1 353 922
Gross receipts from vehicle licencing	8 954 975	7 623 709
Transfers to Department of Roads and Transport	-6 838 978	-6 269 788
Mopani Agency fees	0	0
18.4 Other income	1 967 394	2 279 380
Interest on outstanding debtors	674 457	1 144 216
SETA refunds	68 645	65 789
Clearance certificates	107 170	92 666
Other income	3 797	24
Penalties	4 272	0
Subdivision	830	0
Valuation certificates	305	1 161
Rezoning	33 027	8 832
Signboards, adverts etc	15 867	7 591
Building plans	652 572	769 416
Town planning fees	24 085	17 751
Tender documents	380 793	170 528
Library mebership fees	1 105	1 329
Membership fees	469	79
19 REVENUE FROM NON EXCHANGE TRANSACTIONS		
Revenue from non exchange transactions include		
19.1 Property rates	31 822 101	29 908 471
Rates are levied on the following property values:		
VALUATIONS		
Residential	1 743 395 500	1 599 414 500
Commercial	1 259 196 800	977 089 000
State	211 304 000	213 987 480
Agricultural	914 856 600	618 339 300
Other	369 728 000	379 037 700
	4 498 480 900	3 787 867 980
The current valuation roll was implemented with effect from 01 July 2012 for the period up to 30 June 2016. The valuation		
19.2 Traffic fines	981 800	1 029 800
20 GOVERNMENT SUBSIDIES & GRANTS		
Operational grants	100 118 417	76 724 114
Capital grants	30 068 247	34 830 221
TOTAL GOVERNMENT SUBSIDIES & GRANTS	130 186 664	111 554 335

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
20.1 Operating grants consist of-		
Equitable share	92 441 000	71 904 000
Finance management Grant	1 800 000	1 800 000
Municipal Systems Improvement Grant	930 000	1 159 535
Disaster	347 814	544 579
INEG	3 561 603	0
EPWP	1 038 000	1 316 000
	100 118 417	76 724 114
20.1.1 Equitable Share		
In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent community members.		
20.1.2 Finance Management Grant		
Balance unspent at beginning of the period	-0	-0
Current year receipts	1 800 000	1 800 000
Conditions met – transferred to revenue	-1 800 000	-1 800 000
Unspent amount transferred to liabilities	0	0
(See note 14)		
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.		
20.1.3 Municipal Systems Improvement Grant		
Balance unspent at beginning of the period	24	225 559
Current year receipts	929 976	934 024
Conditions met – transferred to revenue	-930 000	-1 159 559
Unspent amount transferred to liabilities	0	24
(See note 14)		
The purpose of the grant is for institutional systems. No funds were withheld or delayed.		
20.1.4 Expanded Public Works Programme Grant		
Balance unspent at beginning of the period	0	0
Current year receipts	1 038 000	1 316 000
Conditions met – transferred to revenue	-1 038 000	-1 316 000
Unspent amount transferred to liabilities	0	0
(See note 14)		
This grant is used to create temporary work for unemployed people		
20.1.5 Intergrated National Electrification Programme		
Balance unspent at beginning of the period	0	3 104 644
Current year receipts	7 000 000	0
Conditions met – transferred to revenue	-3 561 603	-3 104 644
Unspent amount transferred to liabilities	3 438 397	0
(See note 14)		
This grant is ringfenced for electrification of Scortia.		
20.1.6 Disaster Fund		
Balance unspent at beginning of the period	555 421	0
Current year receipts	836 000	1 100 000
Conditions met – transferred to revenue	-347 814	-544 579
Unspent amount transferred to liabilities	1 043 607	555 421

Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
20.2 Capital grants consist of-		
Municipal Infrastructural Grant	30 068 247	34 830 221
20.2.1 Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of the period	4 480 618	9 001 839
Current year receipts	45 830 000	30 309 000
Conditions met – transferred to revenue	-30 068 247	-34 830 221
Unspent amount transferred to liabilities (See note 14)	20 242 371	4 480 618
This grant was used to construct municipal infrastructure to provide basic services for the benefit of households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury on grounds of failure to meet grant conditions..		
21 EMPLOYEE RELATED COSTS	30 068 247	34 830 221
Employee related cost - Salaries and wages	31 426 670	27 544 942
Employee related cost - Social contributions	7 878 199	6 749 230
Long service awards	322 162	798 177
Post retirement benefits	859 230	654 255
Travel, motor car, accommodation & other allowances	3 643 969	2 268 851
Housing benefits and other allowances	661 263	823 621
	44 791 494	38 839 075
Included in employee related costs are remunerations of the municipal manager and senior managers reporting to the municipal managers, as follows-		
Municipal Manager		
Annual remuneration	716 803	663 964
Acting allowances	0	0
Performance and other bonuses	0	0
Travel and other allowances	299 364	298 041
Contributions to UIF, medical and pension funds	255 639	229 017
	1 271 806	1 191 022
Chief Financial Officer		
Annual remuneration	813 032	458 640
Acting allowance	0	0
Performance and other bonuses	0	61 208
Travel and other allowances	165 871	1 338
Contributions to UIF, medical and pension funds	11 349	0
	990 252	521 187
Director: Technical Services		
Annual remuneration	634 151	593 192
Performance and other bonuses	0	0
Travel and other allowances	130 188	129 611
Contributions to UIF, medical and pension funds	230 200	208 653
	994 539	931 456
Director: Community Services		
Annual remuneration	503 447	506 945
Performance and other bonuses	41 941	47 292
Acting allowance	70 894	0
Travel and other allowances	272 580	267 611
Contributions to UIF, medical and pension funds	173 073	106 194
	1 061 934	928 043
Director: Corporate Services		
The position of Director Corporate Services has been vacant during the reporting period.		
Director: Spatial Development and Planning		
Annual remuneration	480 418	480 084
Acting Allowance	124 065	0
Performance and other bonuses	39 981	36 748
Travel other allowances	317 874	309 611
Contributions to UIF, medical and pension funds	156 578	136 377
	1 118 917	962 820

NOTES TO FINANCIAL STATEMENTS (CONT)

MARULENG MUNICIPALITY

FINANCIAL STATEMENTS

	2016 R	2015 R
22 REMUNERATION OF COUNCILLORS		
Mayor	775 204	736 834
Speaker	627 278	519 460
Executive Committee members	2 226 459	1 233 781
Councillors part time	4 978 864	4 811 000
Councillors full time	903 463	504 111
	9 511 268	7 805 186
Councillors are classified based on their respective positions as at 30 June 2016 or the last day of service, as the case may be. The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.		
The Mayor has access to the use of a municipal vehicle for official duties and is allocated a municipal house which can also be used to entertain official guests.		
23 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	31 381 677.75	28 812 478
Intangible assets	31 826	94 083
	31 413 504	28 906 560
24 FINANCE COST		
Finance leases	45 995	21 008
25 GENERAL EXPENSES		
Consists of:		
Advertising	283 833	245 372
Audit fees	2 697 297	2 152 956
Bank charges	202 130	183 496
Computer expenses	39 148	38 411
Electricity	1 996 256	1 756 179
Free basic electricity	998 509	563 531
Fuel	1 418 713	1 376 477
Functions and events	2 480 618	2 197 567
Subsistence, travel & Accomodation	6 075 978	5 490 513
Strategic planning	536 898	429 339
Refreshment	127 935	151 972
Internal Audit	255 541	30 834
EPWP	1 112 775	1 666 246
Compensation Commissioners	225 014	886 415
Bursary Fund	424 161	129 438
Insurance	439 507	368 050
Legal expenses	2 104 043	1 235 993
Membership fees	520 375	500 695
Printing and stationery	714 139	560 570
Professional fees	6 205 799	4 090 154
Stores and material	728 544	586 174
Telephone & cellphone costs	626 566	748 908
Training	492 777	931 929
Ward committees	74 644	238 624
Other	2 519 630	548 434
	33 300 830	27 108 277
26 CONTRACTED SERVICES		
Refuse removal service costs	3 193 719	2 548 292
Security costs	4 700 957	4 271 032
	7 894 675	6 819 324
27 GAIN/(LOSS) ON DISPOSAL OF ASSETS		
Property, plant and equipment	109 433	951 589

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
28 CORRECTION OF PRIOR YEAR ERRORS		
28.1 Statement of financial financial Position		
2.8.1.1 Accumulated surplus		
Corrections were made and appropriated to the accumulated surplus account during the financial years		
Details of the appropriations are as follows:		
Decrease in accumulated surplus		-900 486
Correction of bonus accrual for 2014/15 financial year		69 713
Traffic income understated in 2014/15 financial year		258 390
Adjustment of transactions recognised in prior periods		-1 031 940
Traffic transaction fees accrual for 2013/14 financial year		-502 690
Fair valuing - Investment property		-252 720
LSA adjustment as per actuarial report for 2013/14 financial year		-91 538
ULDLA adjustment as per actuarial report for 2014/15 financial year		-433 227
Termination pay deduction Modike NA 2015		-9 590
Stationery Accrual for 2014/2015 financial year		-14 293
Consumables Accrual in respect of 2014/2015 financial year		-5 349
Property rates understated 2015 due to changes in property values		276 113
First time recognition - Land 2013/14		565 000
Fair-value gain - Land 2014/15		15 000
Depreciation of 2013/14 leased assets		-16 102
Depreciation of 2014/15 leased assets		-60 382
Finance lease interest for repayment 2013/14		13 305
Reverse lease rental 2014/15 for machine not previously accounted on lease		56 304
Prior year billing for property rates due to supplementary valuation		263 520
2.8.1.2 Current assets		
Corrections were made to the current assets as at 30 June 2016. Details of the changes are as follows:		
Increase in current assets		967 900
Increase in receivables from non-exchange transactions		925 976
Increase in other receivables		41 924
2.8.1.3 Non-current assets		
Corrections were made to the non- current assets as at 30 June 2016. Details of the changes are as follows:		
Increase in non-current assets		431 941
Increase in property, plant & equipment		684 661
Decrease in investment property (fair value)		-252 720
2.8.1.4 Current liabilities		
Corrections were made to the current liabilities as at 30 June 2016. Details of the changes are as follows:		
Increase in current liabilities		1 969 300
Increase in trade and other payables from exchange transactions		1 596 196
Increase in trade and other payables from non exchange transactions		9 590
Increase in short-term obligations to employees		363 514
2.8.1.5 Non-current liabilities		
Corrections were made to the non-current liabilities as at 30 June 2016. Details of the changes are as		
Increase in non-current liabilities		203 075
Increase in long-term obligations to employees		91 538
Increase in finance lease liability		111 537
28.2 Statement of financial performance		
Corrections were made to the statement of financial performance for the year ended 30 June 2016. Details		
Decrease in net profit		127 953
Decrease in agency income		-33 228.00
Increase in revenue from property rates		539 633.42
Increase in traffic fines income		258 390.00
Increase in employee related costs		-373 104.48
Increase in finance cost		-60 381.53
Decrease in lease rental		-12 820.68
Increase in general expenses		69 124.20
Loss on disposal of Assets		-46 829.35
Loss from fair valuing of assets		24 889.00
		-237 720.00

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
28.3 Statement of cashflows		
Corrections were made to the statement of cashflows for the year ended 30 June 2015. Details of the		
Cash generated from/ utilised in operations		
Surplus for the year		393 869
Adjustment for:-		
Contributions to provisions		455 052
Loss on assets disposal		2 298
Fair value adjustment on investment property		24 889
Operating surplus before working capital changes:		876 108
Increase in receivables from non-exchange transactions		-925 976
Increase in other receivables		-41 924
Increase in trade and other payables from exchange transactions		1 596 196
Increase in trade and other payables from non exchange transactions		9 590
Cash generated by operations		1 513 994
29 CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Surplus for the year	36 551 454	11 949 625
Adjustment for:-		
Depreciation and amortisation	31 413 504	28 846 179
Debt impairment	8 306 887	31 021 458
Loss on assets disposal	109 433	978 776
Interest received	-4 400 886	-2 882 082
Finance costs	45 995	8 187
Contributions to provisions	1 604 526	250 781
Surplus/ Loss on assets revaluation	3 152 268	-250 916
Operating surplus before working capital changes:	76 783 182	69 922 009
(Increase) decrease in inventories	17 381	17 795
(Increase) decrease in trade receivables	0	-31 823 915
(Increase) decrease in receivables from exchange transactions	28 853	0
(Increase) decrease in receivables from non-exchange transactions	-8 779 422	0
(Increase) in receivables Other	-1 248 089	17 774 951
(Increase) in Receivables VAT	-9 376 287	-4 857 014
Decrease in Unspent grants	19 688 336	-4 191 359
Increase/(decrease) in trade payables and other payables	0	4 847 401
(Increase) decrease in payables from exchange transactions	2 714 118	0
(Increase) decrease in payables from non-exchange transactions	585 817	0
Cash generated by operations	80 413 889	51 689 867
30 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE		
30.1 Contribution to SALGA		
Council membership fees payable	520 375	500 695
Amount paid current year	-520 375	-500 695
Balance unpaid (included in creditors)	0	0
30.2 Audit Fees		
Current year audit fee	2 697 297	2 152 956
Amount paid current year	-2 697 297	-2 152 956
Balance unpaid (included in creditors)	0	0
30.3 VAT		
VAT is payable on the cash basis. VAT input receivables and VAT output receivable are shown in note 6 . All VAT returns have VAT is accounted for on cash basis.		
30.4 PAYE & UIF		
Current payroll deductions	3 067 878	5 734 351
Amount paid current year	-3 067 878	-5 734 351
Balance unpaid	0	0

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
30.5 Pension and Medical Aid Deductions		
Current payroll deductions	8 223 598	-7 096 885
Amount paid current year	-8 223 598	-7 096 885
Balance unpaid	0	0
31 COUNCILLOR'S ARREAR CONSUMER ACCOUNTS		
Councillors do not have municipal accounts with the municipality.		
32 COMMITMENTS		
Commitments in respect of capital and current expenditure		
Approved and contracted for		
Current	11 894 886	12 294 391
Capital	62 968 519	80 545 354
	74 863 405	92 839 745
33 OPERATING LEASES		
Operating leases- lessor		
The lease agreements for office machines became effective during the financial year 2014/15.		
Monthly rentals on office machines which are in the municipality's premises are expensed directly as lease rentals while the		
34 CONTINGENT LIABILITIES		
34.1 Jacu Craucamp	179 075	109 075
Dispute on subcontracting		
34.2 Maatjie Plant Hire & Construction CC	283 349	213 349
Dispute on subcontracting		
34.2 Wilkes & Others	3 555 702	3 055 702
Claims on the house gutted by fire		
34.4 Reneitt Wessels- Rent for water line in the complainant's property	100 000	100 000
34.5 DM Mametja - loss of livestock at the London landfill site	380 000	0
TOTAL	4 118 127	3 478 126
35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
35.1 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	22 926 782	17 587 343
Irregular expenditure current year	0	5 339 439
Contract ended during the year not extended		154 431
suppliers in the service of the state		32 360
Non-compliance with travel and subsistence policy		2 134 564
Overpayment of acting allowance		26 645
Awards to close family member		30 000
Used of private car instead of municipal car		76 119
Non compliance with SCM Policy Requirements		2 885 320
Condoned or written off by Council		
Irregular expenditure awaiting condonement by Treasury	22 926 782	22 926 782
35.2 Fruitless and wasteful expenditure		
Opening balance	3 085 410	1 827 890
Fruitless and wasteful expenditure current year	9 465	111 207
Excessive Kilometers Claimed on Travel and Subsistence		4 220
Incorrect rate used on Travel claims		2 092
Value for money (Use of consultants)		1 140 000
Interest on overdue accounts	9 465	0
	3 104 340	3 085 410

Irregular, fruitless and wasteful expenditure incurred during the 2014/15 financial year has been investigated under the supervision of MPAC and arecommendations thereon are awaiting decision by council.

MARULENG MUNICIPALITY

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

	2016 R	2015 R
36. RELATED PARTY DISCLOSURES		
Management team		
During the period under review, in the ordinary course of business, transactions between the Municipality and the under-mentioned key management personnel occurred under terms and conditions no more favourable than those entered into with third parties in an arm's length transaction.		
Ramothwala RJ (Municipal Manager)	13 258	617
Magadani AA (Director Technical Services)	14 036	8 602
Mokonyane ML (Director Community Services)	6 098	39 272
	33 392	48 491
The amounts as reflected above are in respect of municipal services. For details relating to remunerations for senior managers refer to Note 21 .		
Councillors		
During the period under review, in the ordinary course of business, no transactions took place between the municipality and its councillors. Refer to Note 22 for details relating to remunerations for councillors.		
37. CHANGE IN ACCOUNTING POLICY		
There was no change of accounting policy in the period under review.		
During the financial year 2014/15 the municipality changed its accounting policy in respect of the valuation of inventory from the first-in-first-out to the weighted average method. The change was aimed at giving effect to a more relevant and reliable presentation of the value of inventory.		
Increase/(decrease) in surplus due to (increase)/decrease in general expenses	0	-21 313
Increase/(decrease) in inventory	0	-2 411
38. RISK MANAGEMENT		
38.1 Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
38.2 Interest rate risk		
The municipality has no significant interest- bearing assets, and as a result thereof the municipality's income and operating cash flows are substantially independent of changes in market interest rate.		
38.3 Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.		
The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Financial assets exposed to credit risk at year end were as follows:		
• Receivables from exchange transactions	616 373	1 268 322
• Receivables from non-exchange transactions	3 636 843	2 541 213
• Cash and cash equivalents	89 542 838	57 272 914
• Other receivables	1 776 014	486 001
Maximum credit risk exposure	95 572 069	61 568 450

MARULENG MUNICIPALITY FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS (CONT)

39 DEVIATIONS IN TERMS OF MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS

Regulation 36 of the Municipal SCM Regulations of 2005 provides for deviation from and ratification of minor breaches of procurement processes. The deviation report includes limited bidding, emergency and urgent procurement as well as unavoidable deviations. The following exceptions were recorded for the period under review:

DATE	SERVICE	SUPPLIER	AMOUNT	FORM OF DEVIATION
14/04/2016	Provision of security services	Makgapsane Trading 23C	100 000	Emergency procurement as per SAPS event risk categorization during IDP/Budget Public Participation.
15/07/2015	Service for BVP 2571	BB Motors	55 010	BB Motors is the dealer and service repair centre for Nissan
27/07/2015	Service for BVX 287 L	NTT Toyota	12 212	The nearest service provider
28/07/2015	Placement of a notice of the revised ratios and rates By- law	Government Printing Works	9 147	Advert is done by government printing works only
03/09/2015	Procurement of prolaser 4 speed machine	Truvelo Manufacturers	119 700	The company is the manufacturer of prolaser 4 speed machine
05/09/2015	Catering services	Shemaka Trading	4 000	No response from other suppliers who were invited to quote
30/09/2015	Procurement of belts and crown for beauty contest during mayoral tournament	Ickinger Studio	3 454	The only supplier of the belts and crown for beauty contest registered on the municipality's database
21/01/2016	Accommodation for MPAC strategic planning	Forever Resort Blyde Canyon	3 968	Forever Resort Blyde Canyon was the venue where the MPAC strategic planning session was held.
26/01/2016	Security for Go-Loma Morula Event	Mapheto Business Services	5 722	Mapheto is contracted with the municipality to provide security services
10/02/2016	Catering for fraud and corruption awareness	Wimpy	2 000	The number unforeseeably increased from 18 to 20 in the meeting
11/02/2016	Advertisement for Go Loma Morula Event	Maruleng Community Radio Station	20 000	The only local radio station registered in the municipality's database
23/02/2015	Valuers manual set and municipal property rates acts	Lexis Nexis	2 927	The only publisher registered on the municipality's suppliers database
26/02/2016	Hiring of tent and mobile toilets	PCK Trading And Projects	4 500	Shortage of quotation as it was a short notice
25/02/2016	Request for acts for the next council	Lexis Nexis	21 086	The only publisher registered on the municipality's suppliers database
10/03/2016	Request for ACTS and manuals for finance officials	Lexis Nexis	4 351	The only publisher registered on the municipality's suppliers database
10/03/2016	Request for ACTS and manuals for Spatial Planning and Economic Development.	Lexis Nexis	2 927	The only publisher registered on the municipality's suppliers database
06/04/2016	Request For Advertisement of 2016/17 IDP	Maruleng Community Radio Station	11 610	The only local radio station registered on the municipality's suppliers database.
04/05/2016	Courier services for promotional services to Durban Indaba	Postnet	5 828	The nearest courier company registered ion the municipality's suppliers database.
26/05/2016	Printing of receipt books	Phalaborwa Printers	16 568	Current designers of the municipality's receipt books.
30/05/2016	Request for exhibition stand	Ramsay Media Pty(Ltd)	22 982	The event organizer of the Getaway Show, in which the municipality was participating
07/06/2016	Procurement of movable assets verification software and license	Ducharme Consulting	44 574	Sole provider -The service provider has patent rights of the license.
21/06/2016	Creation of GIS shape files for fixed asset register updating	Double TM Consulting (Pty)Ltd	198 842	Emergency procurement. The appointed service provider was already onsite and the required shape files were a prerequisite for them to proceed with their assigned scope of work.
28/06/2016	Procurement of immovable assets verification software and license	IMQS	222 480	Compatibility with current asset register -The service provider has patent rights of the license. The application was required for continuity as well as compatibiliy with work already performed by the previous service provider.

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**MARULENG MUNICIPALITY
FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS (CONT)

40 Events after balance sheet

The term of the council that presided over the functioning of the municipality during the period under review ended in August 2016 and a council was sworn in on 16 August 2016.

MARULENG MUNICIPALITY

FINANCIAL STATEMENTS

ANNEXURES ON COMMITMENTS

CURRENT C OMMITMENTS

Description	Name of Companies	Total Amount Per Month	Contract amount	Expenditure from beginning of the contract to June 2016	Accrual	Commitment amount till end of contract	Period of the contract
REVIEW OF LAND USE MANAGEMENT	PFUKANI KUSILE CONSULTING		855 000.00	670 000.00		185 000.00	
Waste removal	Nweti wa Tilo		8 038 119.66	7 745 421.12		292 698.54	
Security services	Nhluvukp Security		9 061 536.24	-		9 061 536.24	
Compilation of GRAP asset register	Renaissance Advisory Group		1 500 240.00	-	102 920.00	1 397 320.00	
Rezoning of K2C and transfer of parks	K2014003156 (South Africa)		180 120.00	-		180 120.00	
Review of financial statements	SizweNtsalubaGobodo Inc		60 861.28	-		60 861.28	
Year end stores and materials valuation	Shumba Inc		150 000.00	-		150 000.00	
Debtors assessment and provision for bad debts	KPMG Services		40 230.00	-		40 230.00	
Cash in transit services	Fedility	5 643.00	67 716.00	30 596.00		37 120.00	
Dermcation of 300 sites at willows village	Mavona and Associates development consultants		490 000.00	-	-	490 000.00	
			20 443 823.18	8 446 017.12	102 920.00	11 894 886.06	

CAPITAL COMMITMENTS

PROJECT NAME	CONTRACTOR NAME	TYPE	APPOINMENT AMT	PAYMNETS	RETENTION	ACCRUAL	BALANCE
INDOOR SPORTS	DANE PROJECTS	CONSULTANT	9 628 889.26	5 093 092.55			4 535 796.71
	MPFUMELELO BUSINESS ENTERPRISE	CONTRACTOR	43 455 238.20	12 585 648.31	1 364 913.09	745 186.05	28 759 490.75
REHABILITATION	SILVER SOLUTIONS 884	CONTRACTOR	R 5 305 912.61	5 062 696.18	241 564.85		1 651.58
	RYNTEX CONSULTING ENGINEERS PTY LTD	CONSULTANT	R 1 052 016.65	927 407.90			124 608.75
BRANDING OF HOEDSPRUIT TOWN	KOSHILINE MULTI TRADING	CONTRACTOR	1 205 000.00	697 954.11	77 550.46		429 495.43
	KOSHILINE MULTI TRADING	CONTRACTOR	1 500 000.00	1 350 131.87	150 014.65		-146.52
ELECTRIFICATION OF SCOTIA	MORWA -MOTSHO CONSULTING	CONSULTANT	488 733.30	276 544.61			212 188.69
	MADZ ELECTRICAL	CONTRACTOR	4 526 465.11	2 956 552.83	328 505.87		1 241 406.41
BALLON ACCESS ROAD	NEMORANGO CONSULTING ENGINEERS	CONSULTANT	R 449 670.00	440 856.47			8 813.53
TURKEY 3 COMMUNITY HALL	LWAZI ENGINEERING 16 CC	CONSULTANT	665 836.82	298 298.28			367 538.54
	KANATI TRADING AND PROJECT	CONTRACTOR	R 5 349 212.88	1 938 081.96	159 941.43		3 251 189.49